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The Marketing of Legal but Potentially Harmful Products

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Abstract

A number of industries sell products such as tobacco, alcohol and gambling that, although legal, are considered potentially harmful to certain members of society. Unlike non-controversial products that attract no attention when using strategies to increase market share, many of these potentially harmful products attract backlash from concerned members of society and often governments when their markets increase. This paper investigates a number of marketing mix strategies (the 7 Ps of services marketing) used by operators of one form of gambling services, namely electronic gaming machines (EGMs) in order to ascertain the extent to which their organisation includes corporate social responsibility (CSR) in their marketing. Thirty-seven face-to-face and/or telephone interviews were undertaken with EGM manufacturers, gaming consultants, managers of gaming establishments and casino operators in Nevada (USA) and New South Wales (Australia), along with management of the gaming regulatory authority in New South Wales (NSW). We found that the major gaming operators in Nevada are aware of, and practice, CSR to a significantly higher degree than do gaming operators in NSW. In terms of regulatory constraints, a blanket ban exists on all external advertising of EGMs in NSW, whereas Nevada has very little restriction. Interestingly, Nevada operators choose to focus on venue facilities, such as entertainment, food and particularly on the Las Vegas Strip, accommodation, in spite of their freedom to advertise more broadly.

Keywords Gambling, Gaming, Electronic Gaming Machines, Marketing of Potentially Harmful Products, Social Responsibility

Track 20: Ethics and Social Responsibility

Introduction

Normal free-market pressures such as competition, consumer fickleness and financial considerations affect all businesses, however marketers of legal but potentially harmful products have additional challenges of political, regulatory and social opposition (Davidson 2003). The tobacco, alcohol and gambling industries have enjoyed huge profits for many decades achieved in part by the employment of marketing strategies and tactics that encourage ever-greater consumption of their products. In the past, these powerful industries have successfully lobbied governments in order to avoid legislation designed to inhibit their marketing activities. Because of outcry from stakeholders however, these industries have become heavily regulated, particularly in Australia. A certain amount of social opposition has occurred ever since these industries have been in existence, although Davidson (2003) points out that, whereas the tobacco industry has gone from being in the ‘zone of approval’ for many decades to now being in the ‘zone of opposition’, “gambling firms are experiencing just the opposite” (in the USA at least) (p 238).

The purpose of this paper is to examine the marketing management of gaming services in order to ascertain the extent to which they incorporate corporate social responsibility (CSR) into their marketing strategies. The approach taken compares the 7 Ps of the services marketing mix (Lovelock, Patterson and Walker, 2004) in the context of electronic gaming machines (EGMs) in
two contrasting locations. An analysis of qualitative interviews is undertaken with EGM manufacturers, gambling consultants and operators in NSW and Nevada. Most of the literature on gambling (gaming and other forms such as table games, lotteries and horse racing) focuses on the social problems associated with problem gamblers. Yet gambling service operators run a legal business, and as such are entitled to use various marketing strategies in order to enhance their profitability. Because of the potential social problems caused by problem gambling however, we argue that this should be done in a way that is also in line with the principles of CSR (i.e. consideration of societal welfare in addition to profits).

The remainder of this paper proceeds as follows. After a brief discussion of the literature on marketing legal but potentially socially harmful products, we provide an overview of the NSW and Nevada gaming markets, the locations for our qualitative interviews. The methodology is then explained, followed by an analysis of the 7 Ps in servicing gaming markets, with reference to qualitative interviews and in light of corporate social responsibility values. We conclude with suggestions for marketing gaming services in a socially responsible manner.

Marketing of Legal but Potentially Socially Harmful Products

Obvious parallels exist between the gambling, tobacco and alcohol industries, yet reactions from government and consumer groups have varied. The tobacco industry in particular has been extremely active in suppressing any scientific studies that show a positive correlation between smoking and negative health effects, while at the same time actively promoting scientists whose research showed no negative effects caused by smoking (see for example, Bella 1987; Hong and Bero 2002). Various Australian governments and NGOs have made efforts to curb the prevalence of smoking. This has resulted in legal and marketing restrictions that have led the industry to consider different marketing strategies of a product that has been shown to be very harmful but which is still legal.

Alcohol has its own problems with drunken behaviour and alcoholism. The NSW government viewed the situation so seriously that in 2003 they held an 'Alcohol Abuse Summit' to seek submissions on effective measures to combat the associated problems. The results showed that the costs to NSW due to alcohol abuse amounted to $A7 million per day and $A2.5 billion each year due to lost labour/productivity and other alcohol related costs arising from crimes, road accidents and to the health system (NSW Alcohol Abuse Summit 2003). As a result the marketing and promoting of alcohol can be fraught with danger, particularly with strict laws in force that hold hotel owners and their staff accountable for the 'responsible service of alcohol'.

Legalised gambling has experienced enormous growth in many jurisdictions throughout the world over the past few decades. Australians are seen as a nation of gamblers with 20 percent of the world's poker/slot machines (increasingly known as EGMs – electronic gaming machines) but with only 0.3 percent of the world's population (Croucher and Croucher 2005). In fact, "NSW has the highest number of gaming machines per 10,000 people anywhere – including Las Vegas" (Editorial 2006). Unprecedented growth of legalised gambling has also occurred in the USA, with Las Vegas having the undisputed title of 'the gambling capital of the world'. It is possible that this title will be challenged by Macau in the not-too-distant future (Edington 2005). As a result of this growth and an increased awareness of ensuing actual and potential problems, gambling has come under increasing community, academic and legislative scrutiny,
particularly in the last ten years. In the USA, the emphasis on problem gambling has been to view it as a medical disorder whereas in Australia it is viewed in terms of the social harm caused not only to the problem gambler but to the additional 5-10 people who are also affected by the gambler’s addiction (Productivity Commission 1999, p 21). Although problem gamblers represent only 2.1% of the adult population in Australia, their share of expenditure on gambling is 33% (Productivity Commission 1999 p 2). It is widely acknowledged, however, that the number of problem gamblers is substantially higher (10 per cent) amongst regular gamblers. Symond (2000) states that “10% [of] gamblers provide 70% of the spend” Gambling expenditure increased substantially in 2004-05 at $17 billion (Australian Gambling Statistics 2006) compared to $10.8 billion in 1997-98 (Productivity Commission 1999, p 2).

Doughney lists some of the harmful consequences related to heavy, problem and pathological users as being:

“Neglect and abuse of children (sometimes occasioning their deaths), relationship breakdown, family stress, ill health, depression, suicide, job loss, eviction, crime, domestic violence, loss of self esteem, inability to function without embarrassment in the community, estrangement from friends and loved ones, loss of love, pain, suffering and mental breakdown. These add to decrements in nutrition, clothing and other necessities” (2000, p 26).

The high levels of social as well as financial costs, further emphasise the importance of the gambling industry adopting corporate social responsibility principles (ethical activities by which community relationships are built).

The NSW gambling industry has set up its own ‘Code of Ethics’ but the NSW Government has decided that self-regulation in the gambling industry is not enough. This is perhaps also an indication that corporate social responsibility is not being convincingly displayed in the industry in spite of PR efforts. The perception by many is that CSR is either being ignored or, if it is being claimed at all, it is window dressing only. This scepticism has led to lobbying efforts by concerned community groups against the tobacco, alcohol and gambling industries.

**Traits of Socially Responsible Behaviour in the Gambling Industry**

Gambling businesses in NSW provide support and financial assistance to a variety of causes, ranging from sporting facilities (clubs) and social causes (hotels) with both bodies contributing to charities (IPART 2004, p 15). One respondent stated, “AHA gives quite a lot to charities – ‘hotels with hearts’” (NSW10). Similalis (2004, p 36) describes a new arrangement between the Australian Hotels Association (AHA) and Centacare whereby counselling services will be extended to the rural and regional areas, where 1,200 of the state’s 2,048 pubs are located. Star City Casino (in NSW) is required to pay a casino community levy of 2 per cent on all its gaming revenue. Between 1995 and 2003, over $15 million from the levy had been given to community projects and services. This is in addition to funding provided from the levy for research, awareness and counselling programs (IPART 2004 p 15). NSW registered clubs are also seen as the life-blood in some communities. In response to the possible closure of their local clubs because of the NSW Government’s planned tax increases a couple of years ago, a number of protesters took to the streets in Sydney. One of the protesters stated, “In a place like Lautieton, the club is the focal point of our township and our club supports groups from preschoolers right through to the elderly, the Red Cross, the women’s auxiliary and even the disco at the local...
school” (Noonan 2004, p 6) This shows the vital community role that many NSW gaming services provide yet also indicates a high level of dependence on these funds.

Gaming organisations in the USA also contribute to important community programs. Barker and Britz (2000) state that “the gaming industry has done more to address issues of dysfunctional behavior than the alcohol, tobacco, and smut industries combined, [with] the American Gaming Association and numerous independent casino operators” supporting “hotlines and research while promoting self-help groups and treatment centers” (p 166). If this is the case, why the inordinate focus on “the evils of gambling” with EGMs even being referred to as the “crack cocaine” of gambling (Barker and Britz 2000, p 164)? The NSW Government also funds gambling help-lines. Treatment centres are also either funded by the government, or provided by not-for-profit organizations, with all counsellors needing to be accredited (IPART 2004)

The Significance of EGMs
Electronic gaming machines are relatively new to most jurisdictions compared to other forms of legalised gambling and it is the form of gambling most rapidly on the rise (Productivity Commission 1999, p 13 4) According to Becofa (1996), there has been a “particular emphasis on slot machines or gaming devices which are increasingly viewed as the most addictive type of gambling” with the advent of legalised gambling throughout the world (p 259). In the eyes of many, state governments in Australia are also addicted to EGMs in the form of the substantial taxation they provide. The NSW government, for example, derives 10% of state revenue from gambling taxes each year (Murphy 2007). The Victorian state government is increasing EGM taxes by 43 percent from July 2008, translating into almost $A60 million in levies per annum, “an increase of $1300 per machine” (Carson and Bloomberg 2007, p 25) The extensive, internationally cited 1999 study by the Australian Productivity Commission focused on two areas – gaming and horse racing – yet the media and researchers have focused predominately on EGMs, invariably in connection with problem gambling. It appears that it is this particularly potential harmful product that requires the most emphasis in terms of corporate social responsibility by gambling service providers.

The NSW and Nevada Gambling Markets
The gambling industries in both Nevada and NSW have grown out of illegal backgrounds. There was a strong ‘mob’ influence in Nevada for many years in relation to casinos, starting with Bugsy Siegal through to Meyer Lansky and partners. Although mafia ownership of casinos was outlawed in the mid 1950s, “gamblers without legitimate sources of investment capital and prior mob connections turned to the Teamsters Central States Pension Fund.” (Barker and Britz, 2000, p 38) This meant that criminal activity was still very much in existence. By the time the Stardust Casino was implicated in mob skimming in 1976 however, “large-scale mob influence in Nevada gambling, particularly Las Vegas, was coming to an end” (ibid p 39) Various legal requirements and self-regulation initiatives ensure that today, Nevada is one of the ‘cleanest’ gambling jurisdictions around

Gambling in Australia originated with the first settlers and has continued with gaming machines in one form or another since the 1920s. Although the NSW Supreme Court took a hard line on poker machines in hotels in 1921, a softer approach was taken in regards to clubs where poker machine profits were invested in the club (for the community) rather than to individuals. Poker
machines were outlawed in both pubs and clubs in 1930 (Productivity Commission 1999). The
registered club environment in NSW grew out of illegal beginnings after WW11, when returned
servicemen started ‘fruit’ machines in backyard sheds to raise money for rehabilitation and
leisure activities. Authorities turned a blind eye until 1956 when mechanical reels were legalised
in registered clubs (NSW9). Pubs started off with illegal draw poker machines in the early
1980s, which remained in operation until legalisation of the industry in the mid-1980s (NSW11).

Given ever increasing limitations by governments and concerned community groups on the one
hand, and the possible hedging around the restrictions by some organisations within these
industries on the other, our interest lies with how marketing managers act when developing
strategies and tactics for these legal but controversial industries. Although commonalities exist
among industries that market legal but potentially harmful products, this paper will focus on the
gaming industry, with particular emphasis on the marketing of EGMs (electronic gaming
machines) in NSW and Nevada.

Methodology
Semi-structured interviews were conducted during May-July 2005 and 2006 in Nevada and
intermittently during 2005 and 2006 in NSW. A series of one to two hour in-depth interviews
was undertaken with game operators, gaming machine manufacturers and with gaming
operators in NSW and Nevada. The gaming operator venues ranged in size from the large ‘super
casino’ conglomerates on the Las Vegas Strip and the large ‘locals’ casino operators in Nevada,
to the smaller not-for-profit registered clubs and privately owned ‘pubs’ in NSW. Access to
respondents was through introductions from personal contacts. Qualitative research was
conducted due to the “large volumes of exceedingly rich data obtained from a limited number of
individuals” (Walker 1985, p 3) and the fact that such data are “a source of well-grounded, rich
descriptions and explanations of processes occurring in local contexts” (Miles and Huberman
1984, p 15). Furthermore, one of the primary NSW respondents explained that the wealthy pub
owners (or their staff) would not fill out questionnaires, thereby excluding a quantitative
approach. The interviews covered nine topic areas: (1) Reputation; (2) Supply Chain; (3)
Purchase of new and/or second-hand EGMs; (4) Financial considerations (ability to offer
incentives); (5) Social considerations; (6 – for casinos only) Percentage of revenue from EGMs
vis a vis table games; (7) Percentage of revenue from EGMs vis a vis rooms and restaurants etc;
(8) Allocation of promotional budget; (9) Target market. NSW respondents were asked about
the sorts of marketing strategies they employed prior to the 2001 Gaming Machines Act (this
question replaced question 6 asked of Nevada respondents). It was considered that talking
directly about CSR might result in a defensive mode by respondents. Accordingly, although the
interviews did not specifically address CSR, two of the topic areas covered ‘reputation’ and
‘social considerations’ with the latter specifically enquiring as to “what policies do you have in
place to minimise the risk of problem gambling?” We wanted to see what CSR practices came
out implicitly through the explicit investigation of their marketing strategies. We will draw on
several of these interviews throughout this paper. The following convention will be used for
referencing, as all respondents have been assured of utmost confidentiality: NSW respondents
will be referred to as NSW1, NSW2, NSW3, etc. and respondents from Nevada will appear as
NEV1, NEV2 and NEV3, etc. Table 1 indicates the location, category and number of
respondents interviewed at each.
Table 1: Respondent Classification

<table>
<thead>
<tr>
<th>Location</th>
<th>Category</th>
<th>No. of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reno (Nevada)</td>
<td>Gaming consultant and gaming conference organiser</td>
<td>1</td>
</tr>
<tr>
<td>Las Vegas (Nevada)</td>
<td>Gaming consultant</td>
<td>1</td>
</tr>
<tr>
<td>Las Vegas (Nevada)</td>
<td>Gaming Machine Manufacturer</td>
<td>4</td>
</tr>
<tr>
<td>Las Vegas (Nevada)</td>
<td>International Casino</td>
<td>7</td>
</tr>
<tr>
<td>Las Vegas (Nevada)</td>
<td>‘Locals’ Casino</td>
<td>2</td>
</tr>
<tr>
<td>Lake Tahoe (Nevada)</td>
<td>Gaming Machine Manufacturer</td>
<td>1</td>
</tr>
<tr>
<td>New South Wales</td>
<td>Gaming Legislators</td>
<td>3</td>
</tr>
<tr>
<td>New South Wales</td>
<td>Gaming consultant</td>
<td>6</td>
</tr>
<tr>
<td>New South Wales</td>
<td>Gaming Machine Manufacturer</td>
<td>2</td>
</tr>
<tr>
<td>New South Wales</td>
<td>Casino</td>
<td>1</td>
</tr>
<tr>
<td>New South Wales</td>
<td>Hotel (Pub)</td>
<td>5</td>
</tr>
<tr>
<td>New South Wales</td>
<td>Registered Club</td>
<td>4</td>
</tr>
</tbody>
</table>

Findings and Discussion

Our research to date indicates that the corporately owned large casinos in Las Vegas have a much stronger awareness of, and focus on, social responsibility than does the gambling industry in NSW. The large Nevada casino corporate owners take the role of ensuring that the smaller casinos do not attract the attention of the gaming regulators by acting in a socially irresponsible manner. These large corporations realise if any of the smaller casinos ‘step out of line’, the entire gaming industry will receive increased regulation. The social responsibility statements and brochures of some of the largest corporations (e.g. Harrah’s) are extensive and very professionally presented. Some respondents are proactive in terms of social responsibility, with one from another large corporate casino corporation stating that there is a “very strong focus on social responsibility” by their organisation (NEV2). Another respondent stated that the largest EGM manufacturer in the USA has “a fantastic program in terms of responsible gaming” (NEV5). One of the largest casino corporations also has a strong social responsibility culture throughout the organisation, with a formalised Code of Commitment: to customers – be responsible; to employees – offer good paying jobs; to the community – be charitable (NEV6).

Corporate Social Responsibility (CSR) is vital to having a good reputation, with one respondent stating that the EGM manufacturers and operators “have to have a good reputation with regulators in Nevada, much more so than in Australia” (NEV3). Perhaps this is why the Nevada regulatory gambling environment is substantially more relaxed than in NSW in terms of advertising, promotion and self-regulation. This might also be the reason why the popular press in Nevada does not extensively report on the ‘social evils of EGMs’ as happens in NSW.

Marketing Mix for Gaming Services

As gambling products are commodities (all EGMs, roulette wheels, blackjack tables, etc are basically the same regardless of which gaming establishment one goes to), the gambling industry tries to differentiate its offerings through the ‘customer experience’, or service part of the
product. Casino operators in Las Vegas build edifices of such famous landmarks as the Taj Mahal and the Eiffel Tower, with other operators re-creating safari landscapes complete with white tigers in glass cages (Davidson 2003). Whilst it is accepted that marketers of products such as toothpaste, running shoes, cars, etc. create marketing strategies to increase their market share and therefore sales, this is not the case with products such as gaming machines. If businesses in the gaming industry try to increase consumption of their products, they face a backlash by concerned community groups. The manager of a large club in NSW stated, "There is hysteria around EGMs" (NSW6). Nevertheless, as stated earlier, EGMs are considered to be the most potentially harmful of all gambling products and need extra careful consideration by marketing managers when developing the 7Ps of their marketing mix.

**Product**

Players have some choice when deciding which machine to play in terms of the product/service aspect of EGMs. Australian gaming machines, USA slot machines and video lottery terminals are "high intensity machines — where spending per game and the speed of play is high relative to all other gaming machines" (Productivity Commission 1999, p. 2 10). This means of course that the electronic gaming machines in Nevada and NSW are those referred to as "the crack cocaine of gambling". The gaming market in Nevada consists of slot machines and video poker machines. Local players prefer video poker machines, where the player advantage tends to be higher. Strip casinos, which cater to visitors, primarily have reel-type slots (Kilby et al. 2005). Australia has video poker machines (NSW1). Gaming operators are required by law to have responsible gaming stickers on all EGMs in Australia. Signs and brochures displaying responsible gaming information and gamblers help line numbers and counselling services are also widely available in Nevada.

The downside of EGMs is the much higher amount of money going through due to the much larger size of bets compared to the previous mechanical reels. "EGMs are basically selling time (for entertainment). They're terrible instruments for stealing people's money. All complaints from players were not in terms of losing money, but losing it too quickly. Even problem gamblers appear to realise, by and large, that they're not going to win big time" (NSW7). This highlights the need for EGM service providers to act in a socially responsible manner by focusing on the entertainment value for the player rather than solely on profits. "Managers don't want to offer EGMs that are harmful to players, any more than people selling cars want to sell death traps, otherwise they'd soon go out of business. That's the last thing the club would want to do." (NSW6). Legislators, EGM manufacturers and gaming machine service providers need to further work together to ensure that the most ‘addictive’ features of gaming machines are removed, whilst at the same time not ‘watering down’ the product to the extent that the majority of players who don’t have a gambling addiction are offered a product that has no (or very few) appealing features. The issue of becoming too restrictive with EGM product specifications in terms of national competitive advantage also needs to be taken into consideration, with one of the Nevada respondents stating, "The Australian Government [State Governments] has killed a leading industry. The Australian gaming industry used to have a world-wide cutting edge in terms of gaming technology" (NEV3). A fine line indeed exists when deciding on the extent to which EGM features should be removed or minimised. Marketing Managers are also concerned about their ability to offer EGMs that their customers want, with a number of NSW respondents stating that customers prefer to play the older, higher volatility machines, which have now been
banned (NSW1, NSW12). Another respondent observed that, in the past there was a much stronger focus on the relationship with the customer, whereas now the focus is on maximising profits (NSW11). One of the tenets of corporate social responsibility is to develop strong relationships with customers and suppliers, in addition to broader societal and environmental considerations.

Price
The price paid by the EGM customer and the amount returned to them helps determine the ‘value for money’ and hence customer satisfaction. In NSW, the legislated minimum return to player (RTP) from EGMs is 85 percent, whereas in Nevada, the minimum is 75 percent. Gaming venues in both jurisdictions are able to offer a RTP above this level if they choose. “NSW clubs have always set RTP around 90%, both before and after legislation” (NSW7). Respondents in Las Vegas stated that operators set their RTPs higher (90% plus) than the legislated minimum, in order to be competitive (NEV1; NEV7). The RTP in the local casinos tends to be higher than on the Strip (NEV4, NEV8). When a player has a perfect strategy (very rare) in a competitive video poker environment (i.e., in the local casinos), the pay back is greater than 100% (NEV1). Local EGM customers play on average three times a week, which is a lot more than a Strip customer. Winning customers average $200 win per day at local casinos, whereas it is just under $100 on the Strip where there are more table games (NEV3). Another respondent stated that there is a very high turnover on slots in local casinos compared to the Strip (NEV7). According to the respondent of a very popular ‘up-market’ casino in Las Vegas, the introduction of multi-line, multi-coined video slot machines to the USA market has driven players who were looking for a gambling experience to more of an entertainment experience. “This is directly related to the amount of time that a multi-line/coin slot machine affords a player in the dollars they invest versus the same investment on a physical reel slot” (NEV4). A NSW respondent, in an attempt to demonstrate the value-for-money aspect of EGMs, stated “RTP is about 90% overall in any one venue compared to 50% for scratchies” (NSW8). Whilst EGMs may well return almost double the RTP via a vis scratch-off lottery cards, the overall amount spent on EGMs is significantly higher. 2004-05 figures show that turnover for ‘instant lottery’ products was $181 million compared to the turnover for EGMs at $54 billion (Australian Gambling Statistics 2006). This further emphasises the necessity of gaming machine marketing managers providing an entertaining gaming experience that at the same time offers the customer ‘value for money’

Place
NSW has one only casino (Star City in Sydney), whilst there are many casinos and super/mega casinos on the Las Vegas Strip that cater predominantly to the tourists. Many ‘local’ casinos in Las Vegas and Reno closely resemble the larger registered clubs in NSW, although the Nevada venues are larger. There are “over 200 licensed casinos [each] with gaming revenues over $US1 million a year” in Nevada (Eadington 2005). A major consolidation of gaming venues in Las Vegas has occurred, with three major players – MGM Mirage, Harrah’s and Wynn. These super casinos have turned their major focus away from EGMs and table gaming, to an increased emphasis on the entertainment experience. Most casinos on the Strip get the majority of their revenue from non-gaming (food, entertainment, rooms), whereas local casinos obtain most of their revenue from slots (NEV1). Patrons must be 21 before being able to participate in gaming activities within casinos in the USA, whereas the legal age for commencing gambling activities in Australia is 18.
The number of EGMs in NSW is currently restricted to 100,308 as follows: Registered Clubs: 74,672; Hotels: 24,136; Star City Casino: 1,500. EGMs are widely available throughout Nevada in stores such as supermarkets, airports and a plethora of casinos, both local and tourist. As at 30 June 2006, a total of 207,569 slot machines (186,218 non-restricted and 21,351 restricted) existed in Nevada (Nevada Gaming Commission and State Gaming Control Board 2007).

Promotion
A blanket ban on all external advertising of gaming machines by hotels, registered clubs and to a large extent the casino, has existed since the introduction of the 2001 NSW Gaming Machines Act. EGMs can however, be advertised internally (jackpots, links etc.) (NSW3). Manufacturers are allowed to advertise in trade magazines and at trade exhibitions.

Whilst there has not been any banning of gaming machine advertising in Nevada, there are rules regarding ‘truth in advertising’, where any claim in the advertisement needs to be substantiated. A restriction on advertising to children, or including them in any advertising message, also exists and there is an expectation of good taste in advertising, with the Hard Rock Casino having been fined in the past for unacceptable advertising.

Player loyalty schemes are allowed in NSW, but only with the provision of Player Activity Statements. These must be provided on request to the player. All other external promotions, such as t-shirts to give away to patrons, are now banned (NSW 2), as is EGM promotional material mailed out to club members (NSW4). Prizes paid as part of player loyalty schemes or other gaming machines promotions are limited to a maximum value of $2,000 and must be in the form of goods or services. Cash prizes are prohibited (NSW5).

Interestingly, the emphasis of the majority of casinos in Nevada and the majority of registered clubs in New South Wales is on the promotion of the non-gaming aspects of the venue. In NSW, this is due to the outright ban of all external advertising of EGMs, which means that gaming venues can only advertise food, entertainment and facilities, whereas in Nevada, the tourist casinos on the Las Vegas Strip now obtain more revenue from their rooms, beverage and entertainment than from their gaming floor, in spite of there being no advertising ban other than adhering to the principle of ‘truth in advertising’. Furthermore, the local casinos in Nevada also advertise the facilities they offer in addition to advertising their gaming machines. In NSW, the marketing of the facilities and entertainment provided within the pubs and registered clubs is designed to attract patrons to the premises. Once inside the venue there is then an opportunity to have signage directing patrons to the gaming room where EGMs have attractive, flashing neon lights and signage on top of the progressive machines, with associated appealing sounds. This, along with other promotional tools within the dedicated gaming room, is designed to attract players. Registered clubs and the casino also have an opportunity to promote jackpots and prizes inside the venue. NSW hotel proprietors (albeit a small number) have been known to attempt to circumnavigate some of the regulations relating to the blanket ban of the external advertising of EGMs. In terms of signage, some publicans have improvised and used substitute terms inferring.

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1 In simple terms, non-restricted licences are granted to operators with 16 or more EGMs, whereas restricted gaming licences apply to “the operation of 15 or less gaming devices (and no table games) at a location” (State Gaming Control Board 2006, p.10)
EGM gaming availability, for example a sign on the external walls of the venue stating ‘Wagering Lounge’. Many hotels have lounges and/or bars that contain a betting service (in NSW known as the Totaliser Agency Board (TAB)), and the hotel proprietor would no doubt correctly assert that this external sign refers to the TAB. It is suggested that the hotel patron who is experienced in playing EGMs in a dedicated gaming room within a hotel could well misinterpret this external sign (Wagering Lounge) as an invitation to gamble on the EGMs (NSW6). The authors of this paper do not suggest that this is misleading signage, but rather that it is an intentional and contrived, albeit legal, way of indirectly advertising the availability of EGMs within the venue. The patron could also misunderstand other forms of external signage, for example ‘Come in and enjoy our VIP Room’. It is vital that EGM service providers go beyond legal requirements and adhere to the principles of transparency and honesty in order to develop a good reputation and hence be thought of as acting in a socially responsible manner.

People
Customers’ perceptions of service quality are strongly influenced by their interaction with the firm’s personnel (Lovelock, Patterson and Walker 2004) One NSW respondent stated that their club puts a lot of emphasis on staff training and on the culture of the organisation, which flows on to the way people (customers) are treated by staff. Their club has a strong ‘customer is king’ philosophy. The club tries to look after customers by providing good service, such as tray service to players. They have 380 staff that are on the lookout for problem gamblers. (NSW6) Casino staff in Nevada must go through thorough checks before employment is confirmed. Strict conditions exist relating to the issuance of a casino work permit (including screening for convictions, outstanding warrants for arrest, failure to pay child support etc) (Nevada Gaming Commission 2003) The State Gaming Control Board (2006) states, “Public confidence and trust can only be maintained by strict regulation of all persons, locations, practices, associations and activities related to the operation of licensed gaming establishments” (p. 1) Many of the super casinos employ attractive females in eye-catching costumes (low neck-lines, short skirts, stilettos) that walk around the gaming tables and gaming machine areas offering free drinks to patrons. All staff throughout the organisation need to adhere to ethical and CSR practices.

Process
Service personnel rely on efficient and accurate ‘backstage’ processes in order to function effectively and deliver a high quality service experience to the customer. When processes fail, front-line staff often bear the brunt of the customer’s anger and frustration (Lovelock, Paterson and Walker 2004) Star City casino and many of the NSW hotels and clubs have ATMs on the premises, although by law these are not to be placed in or near gaming rooms. One respondent pointed out that “the club’s ATMs are providing a community service (i.e. people can come into the club and withdraw money from the ATMs without having to use any of the clubs other facilities)” (NSW6) ‘Back of house’ facilities at the several local and ‘super’ Strip casinos in Las Vegas visited by one of the authors in 2005 show comprehensive, professional operations that go on behind the scenes, supporting gaming floor operations.

Physical Evidence
Tangible cues become an important part of the overall service experience. Customers evaluate such factors as the physical layout of the premises, quality and comfort of seating and other furniture, lighting and music, dress standard of employees, quality of the food and beverages and
promotional materials (Lovelock, Patterson and Walker 2004) “There is no difference between running a restaurant and running a gaming floor – criteria: location, ease of parking, security, what’s the food like, what’s the customer service like. The club has good décor, safety and security and the best and latest machines” (NSW6) A variety of casinos exist in Nevada, ranging from the shabby, run-down casinos, to the mid-range ‘ordinary’ casinos through to the super luxurious, opulent, high standard casinos offering world-class restaurants, entertainment and accommodation.

Implications and Conclusions
New South Wales has one of the strongest regulatory gaming environments in the world, whereas in Nevada the casinos operate in a largely self-regulated market, with the large casinos monitoring the activities of the smaller casinos to ensure they do not fall foul of the regulators. Whilst the vast majority of gaming operators act in a socially responsible manner, particularly in Nevada, there is still much room for improvement. Given the strong community backlash over the unprecedented growth in legalised gambling and the increased awareness of, and concern for, the resulting problems to a significant number of regular EGM players, operators would be wise to adopt strategies which do not exacerbate these community concerns. Gaming operators need to incorporate much stronger CSR principles, strategies and tactics throughout all levels of their organisation. Examples include offering players better ‘value for money’ when playing for entertainment. Marketing Managers in the gaming industry should not encourage their customers to spend very long hours at EGMs through extensive provision of drinks and/or snacks. They should also ensure that all staff be fully trained in identifying problem gamblers and that staff know the next step if they notice a player portraying symptoms of gambling problems. Although the percentage of problem gamblers is small statistically, it is important to consider the tragic consequences to those afflicted with this addiction. In addition, many other people affected by problem gamblers also need to be taken into consideration as stakeholders. Certainly the perception among many in society is that the gaming regulators and operators have not moved far enough to seriously address the issue of problem gambling. Popular media (at least in NSW), in reaction to many of the regulations that are released, use such pejoratives as ‘lip-service’, ‘knee-jerk reactions’ and ‘ineffectual’ and state that the government itself is addicted to gambling taxation. In spite of one NSW respondent’s assessment that gaming operators could not do anything in addition to the heavily regulated environment in terms of being socially responsible, companies would be well advised to go beyond the mandated requirements and incorporate a philosophy of social responsibility that is imbued within every employee. Marketing managers need to incorporate ‘duty of care’ factors in their marketing mix and to foster good, if not excellent, relationships with all their stakeholders in order to avoid increased regulatory scrutiny and community backlash.

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